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C O N F I D E N T I A L SECTION 01 OF 02 DOHA 000783

SIPDIS

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TAGS: [EINV](#) [EFIN](#) [ECON](#) [QA](#)  
SUBJECT: QIA ASSESSES INVESTMENT LANDSCAPE FOR TREASURY  
DEPUTY SECRETARY KIMMITT

REF: DOHA 782

Classified By: Amb. Joseph LeBaron for Reasons 1.4 (b) and (d).

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(C) KEY POINTS  
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-- The Qatar Investment Authority (QIA) would like Qatar to be involved in multilateral efforts to deal with the global financial crisis.

-- The fund's managing director, Dr. Hussain Al-Abdulla, believes the decline in asset prices is the major financial problem today, and liquidity constraints are a result of this decline.

-- Al-Abdulla cautioned against over-regulation and said the QIA had lost faith in the rating agencies.

-- QIA will wait at least six months for prices to decline further before buying more financial and real estate assets, he said. When QIA starts buying again in the United States, it will focus on investments in food companies and the technology, aerospace, and defense sectors.

-- Deputy Secretary Kimmitt noted that as Qatar goes up this investment chain, it could run into CFIUS concerns about U.S. national security issues. Qatar should be prepared to work constructively with Congress, Treasury, and State.

END KEY POINTS.

11. (C) Deputy Treasury Secretary Robert Kimmitt met October 29 with Qatar Investment Authority (QIA) Executive Board Member (and de facto Managing Director) Dr. Hussain Al-Abdulla. Also participating in the meetings from the U.S. side were Ambassador, Treasury Deputy Assistant Secretary for the Middle East Andy Baukol, Treasury Attach Matt Epstein, Press Spokesperson Rob Saliterman, and Econoff. (See reftel for a readout of the delegation's meeting with Qatar's Finance and Economy Minister and Deputy Central Bank Governor).

12. (C) Al-Abdulla began by stating that Qatar does not want to just have its view represented at the upcoming G-20 summit: it wants a seat at the table and U.S. support for Qatar's involvement in a multilateral process to deal with the global financial crisis. He continued that the world is witnessing important/fundamental structural changes and we are all suffering because of a change in the assessment of risk. Al-Abdulla underscored that the QIA's investment objectives are financial, not political.

13. (C) Pressing a theme he would return to many times during the conversation, Al-Abdulla emphasized that in his view the major problem today is a decrease in asset prices. Liquidity problems are merely a result of this decline. Noting that "everything we own today is going down," he asked what measures the USG would take to stem the decline in asset prices, and if officials in the U.S. and Europe were focused on this problem.

14. (C) Deputy Secretary Kimmitt thanked Al-Abdulla for his views, noting that he "slightly disagreed," because in September liquidity was the issue. He then detailed some of the USG efforts to keep homeowners in their houses, such as the Hope Now program which has restructured over two million mortgages. He continued that the USG is planning to buy troubled assets, starting in November, and will inject capital into banks and probably other industries as well.

15. (C) Al-Abdulla asked where the USG was headed for regulation, particularly of hedge funds. Deputy Secretary Kimmitt responded that the USG believes in free markets but needs to get the right balance between regulation and market discipline. Ultimately, we don't want to see the USG substituting its judgment for the market's judgment. Moreover, the USG wants to react to the current problems, but

not over-react, as happened with implementation of the Sarbanes-Oxley legislation. Hefurther noted that the current crisis is not abot hedge funds but, in fact, started in the most eavily-regulated sectors of the markets. DeputySecretary Kimmitt said that the USG will resist heay regulation of private pools of capital.

16. C) Al-Abdulla responded that it's good to have som regulation, but not over-regulaton. He lamented the poor work of the rating agencies in recent years, saying "we lost faith as investors in the rating agencies - they're the

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people to be blamed (for the crisis)." Returning to the G-20 summit, Al-Abdulla asked if a discussion of the dollar as the world's reserve currency will be on the agenda, and whether the U.S. could accept that the dollar will not be the only reserve currency. Deputy Secretary Kimmitt responded that it will not be on the agenda and it should not be an issue.

17. (C) Turning to the U.S. investment climate, Al-Abdulla said the QIA sees plenty of opportunities in the U.S., but is in a waiting posture until the end of 2009 or beginning of 2010 as he thinks "things will continue to get cheaper." He added that his strong recommendation was for the USG to "buy another USD 700 billion" in troubled assets to help support prices. Al-Abdulla believes the U.S. will recover faster than Europe, and there are lots of good American companies to invest in, particularly in the high-tech, defense and security sectors. He noted QIA investments could reach 20 percent in some of these companies, underscoring that timing of the purchases is the most important factor. Noting he was speaking as an individual and not necessarily for the whole board, he said his philosophy has changed because of the financial crisis. He now wants to move "very slowly" on further investments, waiting at least six months before making purchases because it seems that "tomorrow will be cheaper."

18. (C) Al-Abdulla continued that the QIA sees two structural changes happening right now. In the financial sector, governments won't allow banks to become as highly leveraged as in the past, and there will still be some de-leveraging. In the commodities sector, the current drop is temporary, and all signs point to sustained growth in demand for agricultural products, oil and gas. The QIA is shifting to invest more in commodities; defense and security firms; and agriculture, including in the U.S. QIA continues to consider new real estate and financial deals but won't buy unless the prices are attractive.

19. (C) Al-Abdulla assessed that the financial picture is "still too foggy" for the coming six months. He believed that private equity funds will have trouble obtaining credit, causing further problems by mid-2009. Deputy Secretary Kimmitt concluded by encouraging Al-Abdulla and the QIA to exercise public policy due diligence when thinking about investing in defense and technology firms and consult with Treasury, State, and the Congress so as to avoid raising political concerns.

110. (U) Deputy Secretary Kimmitt cleared this message.

LeBaron